

Department of Gaming

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DESCRIPTION	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 JLBC		
OPERATING BUDGET					
<i>Full Time Equivalent Positions</i>	123.0	123.0	123.0		
Personal Services	4,392,800	4,200,600	4,200,600		
Employee Related Expenditures	1,583,100	1,346,400	1,346,400		
Professional and Outside Services	568,100	1,113,700	1,113,700		
Travel - In State	285,500	490,200	490,200		
Travel - Out of State	60,300	93,400	93,400		
Other Operating Expenditures	1,099,100	691,200	691,200		
Equipment	222,500	751,100	718,400		
OPERATING SUBTOTAL	8,211,400	8,686,600	8,653,900		
SPECIAL LINE ITEMS					
Casino Operations Certification	1,887,200	2,247,200	1,972,700		
Joint Monitoring System	206,700	2,442,100	233,300		
Problem Gambling	2,160,000	3,185,100	2,277,000		
AGENCY TOTAL	12,465,300	16,561,000	13,136,900		
FUND SOURCES					
<u>Other Appropriated Funds</u>					
Benefits Fund	10,278,100	14,013,800	10,864,200		
Lottery Fund	300,000	300,000	300,000		
Tribal-State Compact Fund	1,887,200	2,247,200	1,972,700		
SUBTOTAL - Other Appropriated Funds	12,465,300	16,561,000	13,136,900		
SUBTOTAL - Appropriated Funds	12,465,300	16,561,000	13,136,900		
TOTAL - ALL SOURCES	12,465,300	16,561,000	13,136,900		
CHANGE IN FUNDING SUMMARY					
		<u>FY 2009 to FY 2010 JLBC</u>			
		\$ Change	% Change		
Other Appropriated Funds	(3,424,100)	(20.7%)			
Total Appropriated Funds	(3,424,100)	(20.7%)			
Total - All Sources	(3,424,100)	(20.7%)			
AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal State Compact Fund through casino employee and vendor certification application fees.					
PERFORMANCE MEASURES		FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 JLBC
• % of gaming facilities reviewed for compact compliance		100	100	100	100
• % of vendor customers satisfied with process		98	92	100	96

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, the department's administration and regulatory expenses are capped based on the level of tribal revenues received by the state. This revenue cap limits the department's operating budget and Special Line Item (SLI) appropriations from the Arizona Benefits Fund, excluding Problem Gambling, to the greater of \$8,000,000, or 9% of state tribal gaming revenues. The JLBC includes \$8,898,000 for FY 2010, as 9% of projected FY 2010 revenues is more than \$8,000,000. The amount is equal to the 9% cap in FY 2010. Any unexpended administrative monies are transferred to the Department of Education's Instructional Improvement Fund.

From the Arizona Benefits Fund, the department is also appropriated 2% of tribal revenues received by the state for the Problem Gambling SLI. This allocation, in addition to the 9% received for the department's operating budget and SLI appropriations was originally estimated to be \$14,013,800 in FY 2009. However, the revised amount allocated is expected to be \$10,103,300. (*See Table 1 for more information on projected state revenues.*)

Operating Budget

The JLBC includes \$8,653,900 and 90 FTE Positions from the Arizona Benefits Fund for the operating budget in FY 2010. The FY 2010 adjustments would be as follows:

Eliminate One-Time Funding OF \$(32,700)

This adjustment would decrease equipment funding by \$(32,700) from the Arizona Benefits Fund in FY 2010, as identified by the department. This amount is associated with IT equipment purchased for the Enforcement Program.

Casino Operations Certification

The JLBC includes \$1,972,700 and 28 FTE Positions from the Tribal-State Compact Fund for Casino Operations Certification in FY 2010. The FY 2010 adjustments would be as follows:

Professional and Outside Services OF (274,500)

This adjustment would decrease casino operations certification funding by \$(274,500) from the Tribal-State Compact Fund in FY 2010. The department anticipates requiring less expert assistance with casino operations certification than in FY 2009.

The department has the responsibility for investigating and certifying all vendors that provide over \$10,000 per month of goods and services to tribal gaming facilities and all tribal gaming employees, excluding food and beverage personnel who are certified by the relevant tribal gaming office. Certification application fees provide funding for the Casino Operations Certification SLI.

Joint Monitoring System

The JLBC includes \$233,300 from the Arizona Benefits Fund for the Joint Monitoring System SLI in FY 2010. The FY 2010 adjustments would be as follows:

Eliminate One-Time Funding OF (2,208,800)

This adjustment would decrease equipment funding by \$(2,208,800) from the Arizona Benefits Fund in FY 2010. This one-time equipment funding was used to connect the department to the remaining 11 urban gaming facilities.

Background – The Arizona Tribal-State Gaming Compacts require the department to implement an on-line electronic monitoring system that connects the department in real time to the slot accounting systems of each of the 17 urban gaming facilities. This system is referred to as the Joint Monitoring System. A total of \$1,188,100 was appropriated in FY 2008 and \$2,442,100 was appropriated in FY 2009 to fund the installation of the electronic monitoring system at the 17 urban sites. Of this total, \$233,300 is ongoing operating costs that will continue in FY 2010.

A footnote to the General Appropriation Act stipulates that expenditures for the Joint Monitoring System SLI appropriation are contingent on Government Information Technology Agency (GITA) approval of the system. GITA recently approved the system for all 17 urban sites.

Problem Gambling

The JLBC includes \$2,277,000 and 5 FTE Positions for Problem Gambling in FY 2010. These amounts consist of:

Arizona Benefits Fund	1,977,000
Lottery Fund	300,000

The FY 2010 adjustments would be as follows:

Eliminate One-Time Funding OF (908,100)

This adjustment would decrease one-time funding by \$(908,100) from the Arizona Benefits Fund in FY 2010, as identified by the department. This amount includes a reduction of \$(172,000) for an educational DVD, \$(100,000) for a data management system, \$(180,000) for residential treatment, \$(31,400) for a survey, and \$(424,700) for treatment providers.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state can be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The JLBC includes \$1,977,000 for FY 2010 from the Arizona Benefits Fund, which is \$(300) less than the 2% shares projected by the department. (*See Table 1 below for more information on projected state revenues.*)

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Tribal Gaming Contributions

The Department of Gaming estimates that Arizona tribes collectively generated Aggregate Gross Gaming Revenue in FY 2008 of \$1,982,018,281.

Tribal organizations pay a percentage of their net win (gaming revenue minus payout) to the state. The contribution rates are as follows:

- 1% of the first \$25,000,000 in net win
- 3% of the next \$50,000,000
- 6% of the next \$25,000,000
- 8% of the net win in excess of \$100,000,000

Table 1 displays the actual distribution of the tribal gaming contributions in FY 2007 and FY 2008 and the Department of Gaming's projected distributions in FY 2009 and FY 2010.

Table 1 Tribal Gaming Distributions Pursuant to Proposition 202¹					
Recipient	Proposition 202 Formula	FY 2007 Actual^{1/}	FY 2008 Actual^{1/}	FY 2009 Projected	FY 2010 Projected
State Government Contribution	88% of total	\$ 92,224,100	\$ 96,025,600	\$ 91,848,200	\$ 98,866,800
Local Government Contribution	12% of total	<u>11,375,700</u>	<u>15,152,200</u>	<u>12,542,800</u>	<u>13,481,800</u>
Total	100% of total	\$103,599,800	\$111,177,800	\$104,391,000	\$112,348,600
Allocation of State Government's Share					
Department of Gaming Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,642,300	\$ 8,266,300	\$ 8,898,000 ²
Department of Gaming Problem Gambling	2% of remainder	<u>1,844,400</u>	<u>1,920,500</u>	<u>1,837,000</u>	<u>1,977,300</u>
Subtotal-Department of Gaming		<u>9,844,400</u>	<u>10,562,800</u>	<u>10,103,300</u>	<u>10,875,300</u>
Instructional Improvement Fund (Department of Education)	56% of remainder	46,132,600	47,859,200	45,777,100	49,275,200
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	23,066,300	23,929,600	22,888,600	24,637,600
Arizona Wildlife Conservation Fund	8% of remainder	6,590,400	6,837,000	6,539,600	7,039,300
Tourism Fund	8% of remainder	<u>6,590,400</u>	<u>6,837,000</u>	<u>6,539,600</u>	<u>7,039,300</u>
Total		\$92,224,100	\$96,025,600	\$91,848,200	\$98,866,700

^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

^{2/} The JLBC would fund the department's operating budget and Joint Monitoring System SLI at \$8,887,200 in FY 2010. Any unused funding below the full allocation will be transferred to the Instructional Improvement Fund.

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

If Information Technology Authorization Committee approval is required for the Project Investment Justification for the Joint Monitoring System and the Information Technology Authorization Committee does not approve the Project Investment Justification, monies for the Joint Monitoring System Special Line Item shall not be spent and will revert to the Instructional Improvement Fund.

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)		Partially-Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. (<i>See individual agency pages for detailed information on each recipient.</i>)		
Appropriated Funds Expended by Department of Gaming	10,278,100	14,013,800
Funds Transferred		
Instructional Improvement Fund	47,859,200	71,899,600
Trauma and Emergency Services Fund	23,929,600	35,949,800
Arizona Wildlife Conservation Fund	6,837,000	10,271,400
Tourism Fund	6,837,000	10,271,400
Total Funds Transferred	85,462,800	128,392,200
Year-End Fund Balance	234,600	2,089,500
Lottery Fund (GMA2122/A.R.S. § 5-601)		Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: To provide additional funding to the department's Problem Gambling program. These funds are expended to prevent and treat individual's suffering from problem gambling.		
Funds Expended	300,000	300,000
Year-End Fund Balance	0	0
Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)		Appropriated
Source of Revenue: The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
Purpose of Fund: To provide funding for the department's certification and administration costs.		
Funds Expended	1,887,200	2,247,200
Year-End Fund Balance	2,265,400	1,944,700